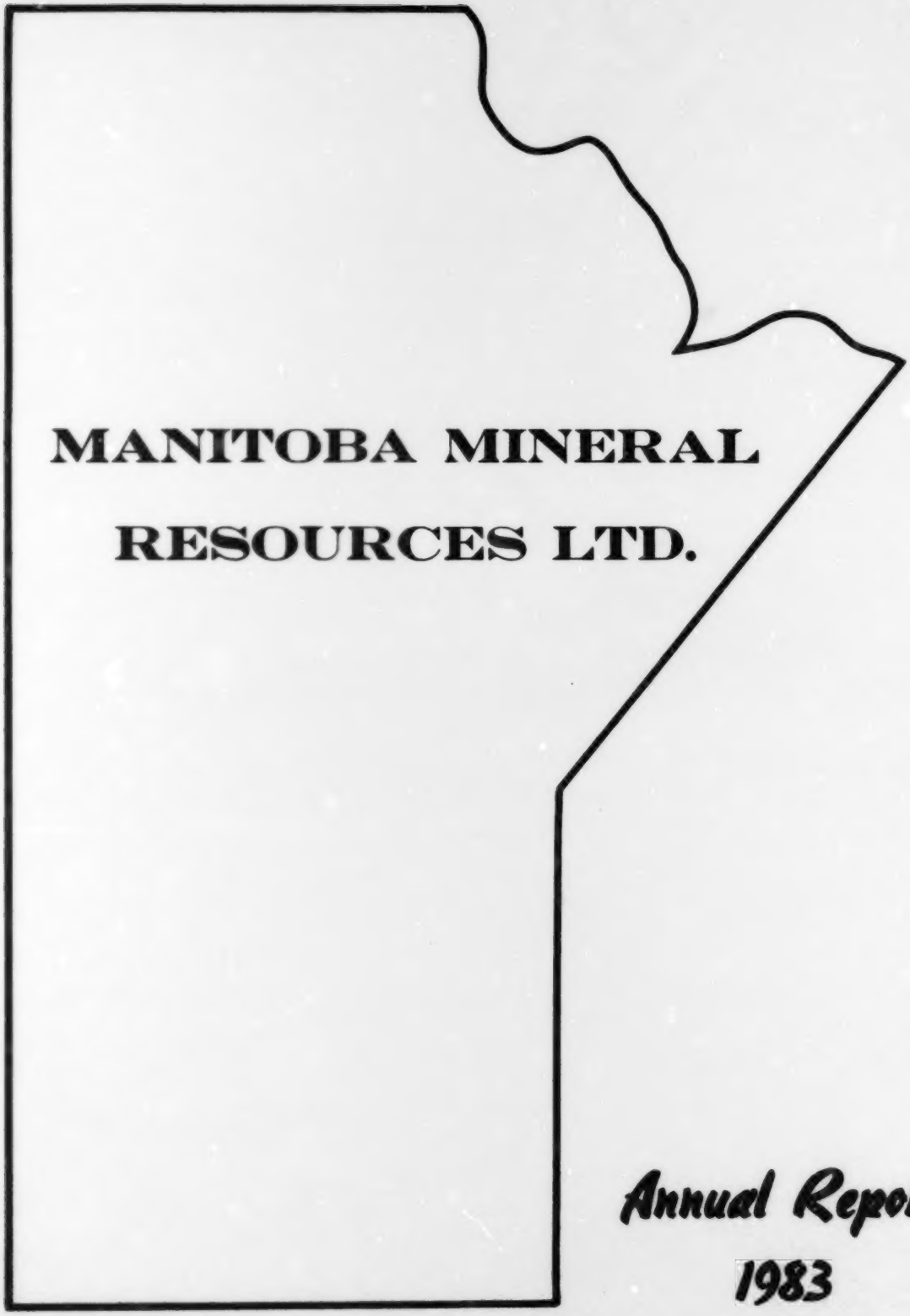


MANITOBA MINERAL RESOURCES LTD.

Annual Report

1983

MANITOBA MINERAL RESOURCES LTD.

Board of Directors

D. B. GARDAVE
Executive Director, Crown Investments
Chairman, Manitoba Mineral Resources Ltd.

C. T. WILLIAMS
Consulting Mining Engineer

H. D. B. WILSON
Consulting Geologist

Officers

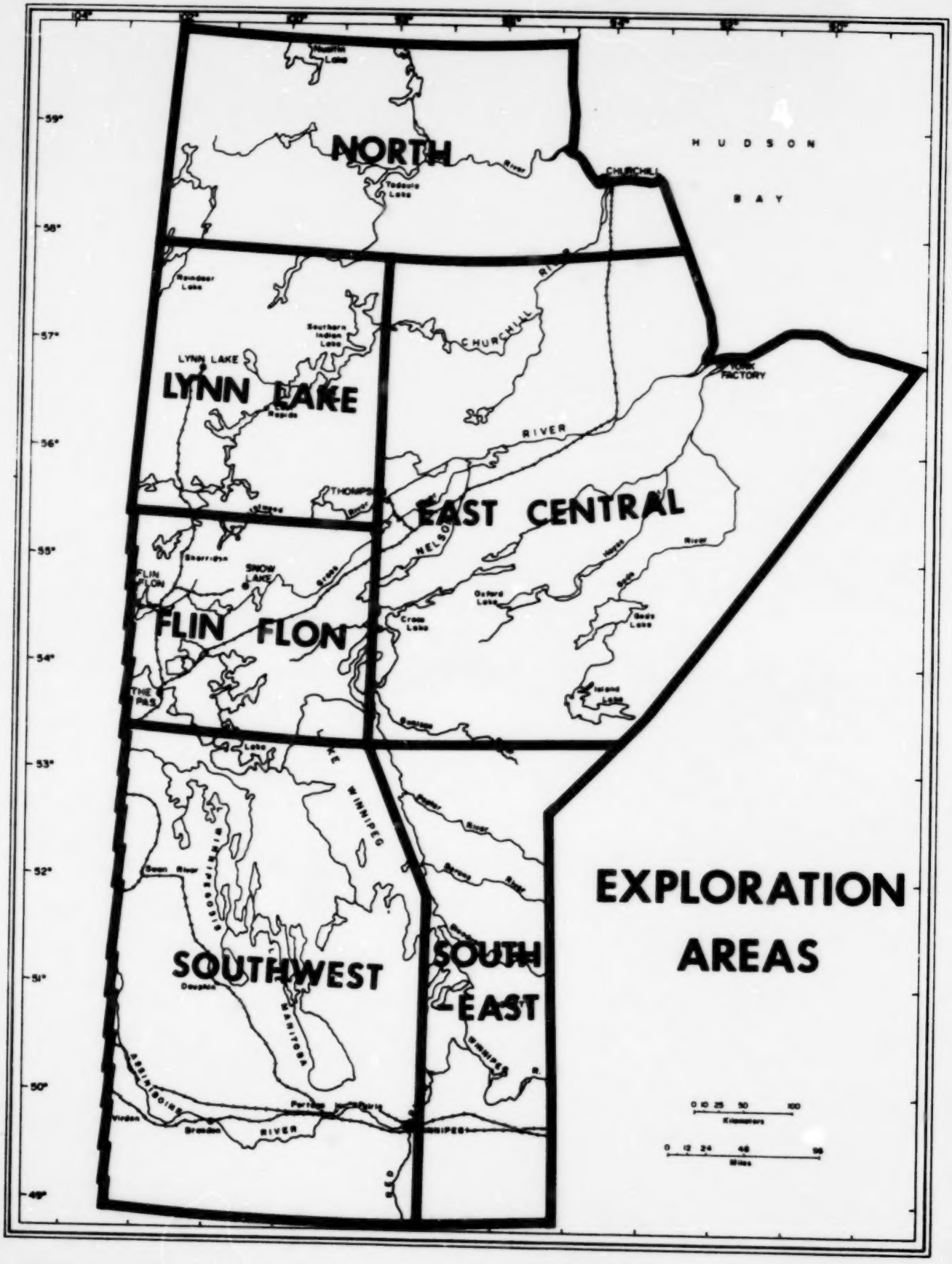
C. MALCOLM WRIGHT
President

D. NEIL BRIGGS
Vice-President

H. D. BRUCE WILSON
Secretary

Head Office

603 - 491 PORTAGE AVENUE, WINNIPEG, MANITOBA R3B 2E4


NORTH
LYNN LAKE
LYNN LAKE
FLIN FLON
EAST CENTRAL
SOUTHWEST
SOUTH EAST
HUDSON BAY
CHURCHILL
YORK FACTORY
RIVER
EXPLORATION AREAS

To the Honourable Wilson Parasiuk
Minister of Energy and Mines
Legislative Building
Winnipeg, Manitoba

SIR:

In accordance with article 8(1), chapter N33 of the Natural Resources Development Act, the Board of Directors herewith submits the Company's Annual Report for the nine months ended December 31, 1983. Financial statements are enclosed and include separate statements of the Trout Lake operation.

During the period the Company managed the Province's interests in mandatory participation exploration agreements and the Trout Lake mine under an agency agreement. These interests were assigned to the Company on December 31, 1983 and the agency agreement was terminated.

The Company has changed its fiscal year end from March 31 to December 31. The Province has also changed the method of funding the Company from conditional grants to purchase of share capital.

FINANCIAL RESULTS

The Province's interest (27%) in the Trout Lake mine produced revenue from the sale of concentrates totalling $4,113,769. Direct costs were $3,913,437 resulting in an operating profit of $200,332. This was reduced to a net income of $9,760 after provision for amortization, administration and interest earned. This compares with a net loss of $276,522 in the prior twelve months.

Gross exploration expenditures, including administration, were $1,615,733. Net expenditures were $1,402,912 after allowing for a recovery of $211,409 on mandatory participation agreements and oil income of $1,452.

MINING OPERATIONS

This is the first reporting period in which the Trout Lake mine operated at full capacity. The Province's share of ore produced amounted to 100,051 tons grading 1.94% copper, 4.54% zinc, 0.047 oz/ton gold and 0.322 oz/ton silver.

Although net income was positive and showed an improvement over the prior twelve-month period, results were not satisfactory. Revenues were adversely affected by low metal prices and the production of lower than average grade ore. Most industry observers are forecasting improved metal prices in 1984. Ore grades should improve gradually as mining reaches deeper levels and new ore lenses.

Unit operating costs at $39.11/ton were improved from $42.36/ton experienced in the prior twelve-month period. Efforts to further improve unit operating costs are continuing.

Underground exploration resulted in a net addition of 350,800 tons of better than average grade ore to the Province's share of the proven reserve after subtracting ore mined in the period.

EXPLORATION OPERATIONS

Exploration activities covered 41 projects. The private sector participated in 27 of the projects; the remaining 14 were carried by the Company for its own account. Total project expenditures, including contributions from the private sector, were $2,157,408 of which the Company contributed $1,445,506 (67%). No significant discoveries were made.

Acceleration of exploration in the Lynn Lake area continued. Exploration expenditures in the area, including contributions from the private sector, were $1,138,958 or 53% of total project expenditures. The future of the community of Lynn Lake and the Province's investment in infrastructure in the area are threatened by rapidly depleting ore reserves at Sherritt Gordon's Fox Lake mine.

The Province's exploration expenditures on projects covered by mandatory participation agreements continued at about the same level as in the previous period; however, there were significant shifts in the levels of the Company's expenditures on wholly owned projects and voluntary joint ventures.

	9 months ended Dec. 31, 1983		12 months ended March 31, 1983	
PROJECT TYPE	Expenditures	%	Expenditures	%
Wholly owned	$ 539,672	37.3	$ 370,464	27.4
Joint ventures managed by MMR	118,525	8.2	356,574	26.4
Joint ventures managed by partners	605,395	41.9	304,756	22.5
Mandatory participation agreements	181,914	12.6	320,934	23.7
TOTAL	$1,445,506	100.0	$1,352,728	100.0

Total expenditures are up sharply when the difference in the length of the reporting periods is taken into account. Increased expenditures on wholly owned projects largely reflects acceleration of activity in the Lynn Lake area. The large increase in expenditures on joint ventures managed by partners represents increased participation in projects initiated by the private sector and catch up expenditures of $404,179 on two projects in southeast Manitoba. Decreased expenditures on joint ventures managed by Manitoba Mineral reflects acceleration of work in the Lynn Lake area and a decrease in exploration funds in the private sector. Most exploration managers in the private sector are seeking outside funding and retaining internal funds to finance their own projects and maintain staff.

BOARD OF DIRECTORS

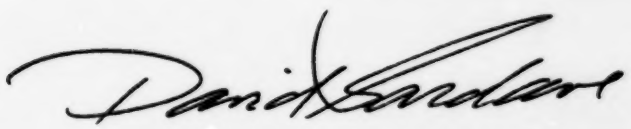
John S. Roper, who served as a member of the Board from May 31, 1979, retired on August 3, 1983. His colleagues extend their sincere appreciation for his contributions in guiding the activities and policies of the Company during his tenure of office.

C. T. Williams was elected a Director on August 3, 1983.

PERSONNEL

At year end the full time staff numbered twelve, an increase of one over the previous period. To these people who form a small but efficient team the Board extends its thanks for their individual contributions to the activities covered by the report.

On Behalf of the Board of Directors,



DAVID B. GARDAVE, *Chairman of the Board*

April 12, 1984

Mining Operations — Trout Lake

The Trout Lake mine, 7 kilometers northeast of Flin Flon, is a joint venture owned by Hudson Bay Mining and Smelting Co., Limited (44%), the Scandinavian Minerals Syndicate (29%) and the Province of Manitoba (27%). Hudson Bay operates the mine and, under a contract covering the life of the mine, mills the partners' share of ore produced. On December 31, 1983, the Province's interest in the Trout Lake mine was assigned to Manitoba Mineral.

Trout Lake was officially opened in August, 1983. The present report covers the first period during which the mine operated at full capacity. Production and ore reserve figures tabulated below represent the Province's 27 per cent share.

PRODUCTION

	Tons	Cu %	Zn %	Au oz/ton	Ag oz/ton
9 months ended December 31, 1983	100,051	1.94	4.54	0.047	0.322
12 months ended March 31, 1983	78,854	1.33	5.09	0.051	0.365

PROVEN RESERVES

	Tons	Cu %	Zn %	Au oz/ton	Ag oz/ton
December 31, 1983	1,128,400	2.66	5.8	0.061	0.57
March 31, 1983	777,600	2.61	4.9	0.049	0.36
Increase in reserves	350,800	2.77	7.8	0.088	1.04

The grade of ore produced continued to be below the average grade of the proven reserve with a resulting adverse impact on financial results. Most of the mining in the period was at the top of ore lenses where grades are relatively poor. Production grades will improve as a larger proportion of the ore is drawn from deeper levels and other ore lenses.

Underground exploration was successful and resulted in an addition of 350,800 tons of better than average grade ore. This is a net addition after allowing for the 100,051 tons of relatively low grade ore extracted in the period. Proven reserves are sufficient for another 8.5 years at current mining rates.

Exploration Operations

The Company starts exploration projects that are wholly owned in the early stages with the expectation they will attract private sector participation. Conversely, the Company participates in worthwhile projects proposed by the private sect . During the period the Company managed the Province's interests in mandatory participation agreements previously entered into by the Department of Mines. These interests were assigned to the Company on December 31, 1983.

Exploration activities in the year covered 41 projects with total expenditures of $2,157,408. The Company contributed $1,445,506 (67%) of the costs — the balance was supplied by the private sector.

Participation by the Company and its partners is summarized in the table below. Details of participation in individual projects are given in tables elsewhere in this report.

No. of Projects	Type	MMR Contribution	Partners' Contribution	Total Expenditures
14	Wholly Owned	$ 539,672	—	$ 539,672
6	Voluntary Joint Venture — managed by MMR	118,525	$ 95,243	213,768
10	Voluntary Joint Venture — managed by Partner	605,395	512,388	1,117,783
2	Mandatory Joint Venture — managed by MMR	126,501	44,720	171,221
9	Mandatory Joint Venture — managed by Partner	55,413	59,551	114,964
41		$1,445,506	$711,902	$2,157,408

AREAS EXPLORED AND METALS SOUGHT

For ease of reference the Province is divided into a number of exploration areas (see map at front). A summary of the distribution of expenditures by area is given in the following table.

Area	No. of Projects	Expenditures MMR and Partners	Expenditures % of Total
Lynn Lake	21	$1,138,958	52.8
Southeast	3	695,916	32.3
Flin Flon	15	203,612	9.4
Southwest	1	77,097	3.6
East Central	1	41,825	1.9
	41	$2,157,408	100.0

The distribution of total expenditures by metals sought is: copper-zinc, 88.0%; gold, 5.8%; nickel, 3.6%. Research on project generation accounted for 2.6% of total expenditures.

NEW PROJECTS

Eight new projects were started (Mynarski, Minton, Betty, Bird, Dolomite, Braintree, Cooper and Gammon). Three are in the Lynn Lake area, two in the Flin Flon area, and three in southeast Manitoba.

NEW AGREEMENTS

Four new joint venture agreements were entered into as detailed below.

Project	Area	Partner	MMR Interest (%) at Dec. 31, 1983
South Moose	Flin Flon	Hudson Bay Exploration and Development Company Limited	50.00
Braintree	Southeast	File Explorco Limited	47.49
Gammon	Southeast	Noranda Exploration Company Limited	39.77
Minton	Lynn	SMD Mining Co. Ltd.	option to earn 50%

Mandatory participation Agreement No. 21 with Rock Ore Exploration & Development Ltd. was terminated and replaced by a new joint venture agreement to permit resumption of exploration on a dormant gold prospect in the Lynn Lake area.

Noranda Exploration Company Limited assigned some of its holdings in the Lynn Lake area to Manitoba Mineral in return for a royalty interest.

EXPLORATION RESULTS

No significant discoveries were made in the period. Diamond drilling is currently underway on the Limestone Bay project 75 kilometers south of Snow Lake where one hole drilled last year cut 6.3 meters of core assaying 2.03% copper.

Oil Operations

Berry Petroleum Limited sold its interest in the Pierson project to Rideau Petroleums Ltd. and Pipestone Petroleums Inc. The two producing wells jointly owned by Manitoba Mineral, Rideau and Pipestone produced 186 cubic meters of oil during the period. Manitoba Mineral's share of production resulted in an income of $1,452 (9 months) compared to $2,082 (12 months) in the previous year.

MINERAL EXPLORATION PROJECTS

TYPE OF WORK — P - Project Generation
A - Acquisition of Ground
R - Regional Surveys
G - Ground Surveys
D - Drilling

Wholly Owned Ventures

Name (Area) Metals Sought	Work	Costs 9 months ending December 31, 1983	Cumulative MMR Costs to December 31, 1983
Moose (Flin Flon), copper-zinc	G	$ 83	$ 77,035
Loon (Lynn), copper-zinc	G	2,788	244,906
Suwannee (Lynn), copper-zinc	AG	169,661	403,860
Sickle (Lynn), copper-zinc	G	1,062	3,856
Arbour (Lynn), gold	AG	48,369	50,117
Pool (Lynn), copper-zinc	AG	68,446	78,976
Dunphy (Lynn), copper-zinc	G	2,476	3,180
Suttie (Lynn), copper-zinc	G	6,830	23,937
Mynarski (Lynn), copper-zinc	PAR	94,496	94,496
Betty (Lynn), gold	PAG	26,303	26,303
Bird (Southeast), copper-zinc	PAR	61,110	61,110
Dolomite (Flin Flon), copper-zinc	PA	1,721	1,721
Cooper (Flin Flon), copper-zinc	P	1,164	1,164
Research	P	55,163	299,868
TOTAL		$539,672	$1,370,529

Voluntary Joint Ventures — Operated by Manitoba Mineral

Name (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 9 months ending Dec. 31, 1983	Total Costs 9 months ending Dec. 31, 1983	Cumulative Total Costs to Dec. 31, 1983
Beaverhill (50%) East Central, copper-zinc	Polly Explorco Limited	D	$ 20,912	$ 41,825	$ 307,882
Notigi (49%) Lynn, copper-zinc	Enterprise Exploration Limited	D	366	748	447,433
Rat (42.59%) Lynn, copper-zinc	Rio Tinto Canadian Exploration Limited	GD	38,435	64,390	490,417
Laurie (50%) Lynn, copper-zinc	Pavi Explorco Limited	G	20,157	40,314	521,835
South Moose (50%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	PAR	15,920	43,756	55,882
Minton (option to earn 50%) Lynn, gold	SMD Mining Co. Ltd.	G	22,735	22,735	182,735
TOTAL			$118,525	$213,768	$2,006,184

Voluntary Joint Ventures — Operated by Partners

Name (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 9 months ending Dec. 31, 1983	Total Costs 9 months ending Dec. 31, 1983	Cumulative Total Costs to Dec. 31, 1983
McClarty (38.59%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GD	$ 7,334	$ 19,004	$3,504,019
Farewell (40%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GD	13,250	33,125	1,613,235
Cook (45%) Flin Flon, copper-zinc	Granges Exploration Aktiebolag	AGD	2,441	5,424	445,171
Eldon (49%) Lynn, copper-zinc	Granges Exploration Aktiebolag Sherritt Gordon Mines Limited	GD	3	78,332	901,661
Athapapuskow (49%) Flin Flon, copper-zinc	Granges Exploration Aktiebolag	G	7	14	47,734
Limestone (69.08%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GR	—	34,231	188,185
Grand Rapids (44.53%) Southwest, nickel	Canamax Resources Inc.	D	60,306	77,097	377,511
Leftrook (50%) Lynn, copper-zinc	File Explorco Limited	D	117,875	235,750	547,643
Braintree (47.49%) Southeast, copper-zinc	File Explorco Limited	ARGD	350,179	580,806	737,052
Gammon (39.77%) Southeast, copper-zinc	Noranda Exploration Company Limited	ARG	54,000	54,000	135,772
TOTAL			$605,395	$1,117,783	$8,497,983

Mandatory Participation Ventures — Operated by Manitoba Mineral

Agreement (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 9 months ending Dec. 31, 1983	Total Costs 9 months ending Dec. 31, 1983	Cumulative Total Costs to Dec. 31, 1983
No. 54, End/Jit (54.55%) Lynn, copper-zinc-gold	Hudson Bay Exploration and Development Company Limited	GD	$114,259	$142,824	$1,049,206
No. 21, Arbour (43.11%) Lynn, gold	Rock Ore Exploration & Development Ltd.	G	12,242	28,397	419,162
TOTAL			$126,501	$171,221	$1,468,368

Mandatory Participation Ventures — Operated by Partners

Agreement (MMR Interest) Area, Metals Sought	Partner	Work	MMR Contributions 9 months ending Dec. 31, 1983	Total Costs 9 months ending Dec. 31, 1983	Cumulative Total Costs to Dec. 31, 1983
No. 7, Wel (20.83%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	G	$ 84	$ 169	$ 80,785
No. 9, Kus (43.07%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	G	1	2	86,951
No. 10, Woo (32.75%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GD	7,840	15,680	135,014
No. 12, Mik (38.02%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	GD	16,972	33,943	561,038
No. 51, Counsell (48.47%) Lynn, copper-zinc	Sherritt Gordon Mines Limited	G	16,500	43,157	558,730
No. 55, Eel (47.08%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	D	767	1,534	174,898
No. 73, Ruttan (38.74%) Lynn, copper-zinc	Falconbridge Limited	D	8,597	10,746	543,007
No. 84, Phy (24.38%) Lynn, copper-zinc	Sherritt Gordon Mines Limited	D	4,400	8,800	116,978
No. 94, Embury (27%) Flin Flon, copper-zinc	Hudson Bay Exploration and Development Company Limited	G	252	933	511,149
	Scandinavian Minerals Syndicate				
TOTAL			$55,413	$114,964	$2,768,550

MANITOBA MINERAL RESOURCES LTD.

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A, B, C, D and E, and Schedule 1 of Manitoba Mineral Resources Ltd. and Statements A, B and C of the Province of Manitoba's interest in the Trout Lake mine administered by Manitoba Mineral Resources Ltd. for the nine month period ended December 31, 1983. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position, including its administration of the Province of Manitoba's interest in the Trout Lake mine, for the nine month period then ended in accordance with the accounting policies stated in the notes to the respective financial statements applied on a basis consistent with that of the preceding year.

W. K. ZIPRICK, C.A.,
Provincial Auditor.

March 29, 1984,
Winnipeg, Manitoba.

MANITOBA MINERAL RESOURCES LTD.

COMBINED BALANCE SHEET [Note 4(b)]
as at December 31, 1983
(with comparative figures for March 31, 1983)

ASSETS

	Dec. 31, 1983	March 31, 1983
Current assets:		
Cash — in bank	$ 370,533	$ 996,258
— in trust with the Minister of Finance	905,000	80,000
— in transit from the Department of Energy and Mines	—	114,312
Accounts receivable	1,530,921	1,042,639
Accrued interest receivable	12,669	—
Prepaid expenses	352,295	238,454
Total current assets	3,171,418	2,471,663
Fixed assets:		
Field equipment	108,054	107,722
Office equipment	30,047	17,963
Office renovations	5,975	5,975
Vehicles	16,135	6,429
Exploration and development — Trout Lake mine	1,103,064	1,099,980
	1,263,275	1,238,069
Less: accumulated depreciation	139,301	134,600
accumulated amortization — Trout Lake mine	263,845	102,801
	403,146	237,401
Total fixed assets	860,129	1,000,668
	$4,031,547	$3,472,331

Approved on behalf of the Board:

D. B. GARDAVE, *Director*

H. D. B. WILSON, *Director*

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	Dec. 31, 1983	March 31, 1983
Current liabilities:		
Accounts payable	$ 312,089	$ 232,341
Accrued interest payable	—	114,312
Undisbursed mandatory participation advances	—	271,416
Total current liabilities	312,089	618,069

SHAREHOLDERS' EQUITY

Capital stock:		
Authorized — unlimited number of shares without par value for unlimited consideration		
Issued and fully paid —		
5 shares at $1.00 each	5	5
461,100 shares at $10.00 each	4,611,000	—
	4,611,005	5
Capitalized exploration expenditures — Trout Lake mine	335,498	335,498
Conditional grants	8,239,348	8,009,000
Advances from the Province of Manitoba	—	2,583,000
Exploration expenditures, net	(9,199,631)	(7,796,719)
Operating deficit — Trout Lake mine	(266,762)	(276,522)
Total shareholders' equity	3,719,458	2,854,262
	$4,031,547	$3,472,331

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

BALANCE SHEET
as at December 31, 1983
Excluding the consolidation of Trout Lake mine, Note 4(a)
(with comparative figures for March 31, 1983)

ASSETS

	Dec. 31, 1983	March 31, 1983
Current assets:		
Cash — in bank	$ 359,318	$ 526,531
— in trust with the Minister of Finance	440,000	—
Accounts receivable	22,281	180,421
Prepaid expenses	3,752	3,522
Total current assets	825,351	710,474
Fixed assets [Note 3(b)]:		
Field equipment	108,054	107,722
Office equipment	30,047	17,963
Office renovations	5,975	5,975
Vehicles	16,135	6,429
	160,211	138,089
Deduct: accumulated depreciation	139,301	134,600
Total fixed assets	20,910	3,489
Advances — Trout Lake mine	3,105,001	—
Trout Lake mine, net assets (Note 4)	—	2,641,976
	$3,951,262	$3,355,939

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	Dec. 31, 1983	March 31, 1983
Current liabilities:		
Accounts payable	$ 300,540	$ 230,261
Undisbursed mandatory participation advances from the Province of Manitoba under an agreement	—	271,416
Total current liabilities	300,540	501,677

SHAREHOLDERS' EQUITY

Capital stock (Notes 1; 5):		
Authorized — unlimited number of shares without par value for unlimited consideration		
Issued and fully paid —		
5 shares at $1.00 each	5	5
461,100 shares at $10.00 each	4,611,000	—
	4,611,005	5
Conditional grants (Note 5)	8,239,348	8,009,000
Exploration expenditures, net — (Note 7), Exhibit D	(9,199,631)	(7,796,719)
Trout Lake mine equity (Note 4)	—	2,641,976
Total shareholders' equity	3,650,722	2,854,262
	$3,951,262	$3,355,939

The accompanying notes are an integral part of the financial statements.

Exhibit C

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF EXPLORATION EXPENDITURES
For the nine months ended December 31, 1983
(with comparative figures for the year ended March 31, 1983)

	Dec. 31, 1983	March 31, 1983
Exploration expenditures:		
Wholly owned ventures	$ 539,672	$ 370,464
Voluntary joint ventures operated by Manitoba Mineral Resources Ltd.	213,768	754,513
Deduct: recoveries from joint venture partners	95,243	397,939
	118,525	356,574
Voluntary joint ventures operated by partners	605,395	304,756
Total voluntary joint venture exploration expenditures	723,920	661,330
	1,263,592	1,031,794
Ruttan Mine evaluation (Note 8)	28,965	—
Payments under Mandatory Participation Agreements administered under an agreement with the Province of Manitoba	211,409	320,934
Recoveries under Mandatory Participation Agreements:		
Province of Manitoba (Note 6)	211,068	305,247
Sale of interests	341	15,687
	211,409	320,934
	—	—
General and administration expenses, Schedule 1	111,807	108,088
	1,404,364	1,139,882
Income:		
Oil production	1,452	2,082
Exploration expenditures, net, Exhibit D	$1,402,912	$1,137,800

The accompanying notes are an integral part of the financial statements.

Exhibit D

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF EXPLORATION EXPENDITURES

For the nine months ended December 31, 1983

(with comparative figures for the year ended March 31, 1983)

	Dec. 31, 1983	March 31, 1983
Exploration expenditures, net [Note 3(c)]:		
Balance, beginning of period	$7,796,719	$6,658,919
Add: Exploration expenditures, net, for the period, Exhibit C	1,402,912	1,137,800
Total exploration expenditures, net, from inception, Exhibit B	$9,199,631	$7,796,719

The accompanying notes are an integral part of the financial statements.

Exhibit E

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the nine months ended December 31, 1983

(with comparative figures for the year ended March 31, 1983)

	Dec. 31, 1983	March 31, 1983
Source of funds:		
Shares issued and paid during the period	$4,611,000	$ —
Conditional grants from the Province of Manitoba	230,348	996,000
	4,841,348	996,000
Application of funds:		
Exploration expenditures, net, Exhibit C	1,402,912	1,137,800
Less: non-cash charge, depreciation	4,701	872
	1,398,211	1,136,928
Advance for working capital — Trout Lake mine	3,105,001	—
Purchase of fixed assets	22,122	4,361
	4,525,334	1,141,289
Increase (decrease) in working capital	316,014	(145,289)
Working capital, beginning of period	208,797	354,086
Working capital, end of period	$ 524,811	$ 208,797

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

SCHEDULE OF GENERAL AND ADMINISTRATION EXPENSES

For the nine months ended December 31, 1983

(with comparative figures for the year ended March 31, 1983)

	Dec. 31, 1983	March 31, 1983
General and administration expenses:		
Salaries, wages and employee benefits	$ 333,361	$ 428,379
Rent and maintenance	25,594	43,812
Supplies and services	30,588	28,916
Other	12,770	16,519
	$ 402,313	$ 517,626
Allocated to:		
Exploration expenditures	$ 247,600	$ 356,540
Mandatory Participation Agreements administered under an agreement with the Province of Manitoba	42,906	52,998
General and administration expenses, Exhibit C	111,807	108,088
	$ 402,313	$ 517,626

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

For the nine months ended December 31, 1983

1. *Status of the Company*

Manitoba Mineral Resources Ltd. is a crown corporation established under The Manitoba Natural Resources Development Act and incorporated under the Manitoba Corporations Act. The issued shares are held by the Province of Manitoba except for five shares which are held by the appointed directors in trust for Her Majesty the Queen in right of the Province of Manitoba. On August 12, 1983, Articles of the Corporation were amended which authorized an issue for an unlimited number of common shares for an unlimited maximum consideration. During the period, 461,100 shares were issued to the Province of Manitoba for a consideration of $10.00 per share as explained in note 5.

2. *Nature of the operations*

The Company undertakes exploration for minerals in the Province of Manitoba through wholly owned ventures, voluntary joint ventures and mandatory participation ventures, which are further explained in note 6.

The Company also maintains an interest in the development, mining and processing of ore from the Trout Lake mine and the sale of the concentrates. This activity is further explained in note 4.

3. *Significant accounting policies*

(a) Accounting basis

The accounts are reflected on the accrual basis of accounting.

(b) Fixed assets and depreciation

Fixed assets are recorded at cost. Depreciation is taken on a straight line basis.

(c) Exploration expenditures

Exploration costs are charged to expense as incurred. They are capitalized when a mine is brought into production.

4. *Trout Lake mine*

(a) The Trout Lake mine is an unincorporated joint venture. The Company managed the Province's interest in the development, mining and processing of ore from the mine, and the sale of the concentrates to December 31, 1983. A separate division was maintained in the Company's accounts for these activities. Financial statements for the Province's interest are attached as Statements A, B and C.

(b) As at December 31, 1983, the Province's interest in the mine was transferred to the Company without charge. Because of the transfer being made as at December 31, 1983, a combined balance sheet which consolidates the Trout Lake mine interest has been included in the financial statements.

5. *Province of Manitoba funding*

Exploration activities — authorized funds available from the Province of Manitoba, since inception, of $8,239,348 have been drawn down as conditional working capital grants as of December 31, 1983. These grants are non-interest bearing and conditional on the basis that they become repayable to the Province if, as and when exploration projects become profitable ventures.

Trout Lake mine — operations of this activity have been funded by way of advances from the Province under the authority of The Loan Act 1982. During the year, the entire amount of $2,800,000 in accumulated advances was converted to share capital in the Company.

During the year, the Province also purchased shares of the Company as a method of funding the Corporation's activities instead of making further conditional grants or advances. Under the authority of The Loans Act, 1983(2), the Minister of Finance can purchase $5,600,000 of share capital of the Company. As at December 31, 1983, $1,811,000 of this amount has been paid to the Corporation in exchange for its shares.

6. *Mandatory Participation Agreements*

Under an agency agreement entered into with the Province in 1978, the Company managed the Province's interests in the mandatory participation agreements. These interests were transferred without charge to the Company, effective December 31, 1983 by agreement. Recoveries from the Province for the nine month period ended December 31, 1983, while the agency agreement was in effect, are shown in Exhibit C in the amount of $211,068.

7. *Abandoned exploration projects*

"Exploration expenditures, net" on the balance sheet in the amount of $9,199,631 as at December 31, 1983 ($7,796,719 — March 31, 1983), includes the costs incurred on projects now abandoned. The net exploration expenditures relating to abandoned projects amounts to $3,850,260 as at December 31, 1983 ($3,268,068 as at March 31, 1983).

8. *Ruttan Mine evaluation*

The Company has initiated an evaluation of the Ruttan Mine at Leaf Rapids.

9. *Commitments*

The Company has outstanding commitments under exploration agreements totalling $488,740 ($312,083 — March 31, 1983).

The Company has a five year lease commitment for office rental expiring August 31, 1988. Annual rental is approximately $41,000, with provision for normal escalation in occupancy costs.

10. *Contingencies*

The Company has contingent liabilities for guarantees of bank letters of credit totalling $165,000 ($75,000 — March 31, 1983).

11. *Economic Dependence*

The Company is economically dependent on the Province of Manitoba for its exploration activities.

12. *Comparative figures*

The year end of the Company has been changed to December 31st. As a consequence, the figures shown for December 31, 1983 are for a nine month period as compared with the twelve month period for March 31, 1983.

Comparative figures have been restated where necessary to conform to the presentation adopted in these statements for the fiscal period ended December 31, 1983.

Statement A

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

BALANCE SHEET
as at December 31, 1983
(with comparative figures as at March 31, 1983)

ASSETS

	Dec. 31, 1983	March 31, 1983
Current assets:		
Cash in bank	$ 11,215	$ 469,727
Cash on deposit with the Minister of Finance	465,000	80,000
Cash in transit from the Department of Energy and Mines	—	114,312
Accounts receivable (Note 4)	1,508,640	862,218
Prepaid expenses	348,543	234,932
Accrued interest receivable	12,669	—
Total current assets	2,346,067	1,761,189
Fixed assets [Note 2(c)]:		
Exploration expenditures	335,498	335,498
Mine development expenditures	767,566	764,482
	1,103,064	1,099,980
Less: accumulated amortization	263,845	102,801
Total fixed assets	839,219	997,179
	$3,185,286	$2,758,368

LIABILITIES

Current liabilities:		
Accrued interest on the advance from the Province of Manitoba	$ —	$ 114,312
Accounts payable	11,549	2,080
Total current liabilities	11,549	116,392

PROVINCE OF MANITOBA'S EQUITY

Advance from Manitoba Mineral Resources Ltd. (Note 3)	3,105,001	—
Advance from the Province of Manitoba (Note 3)	—	2,583,000
Capitalized exploration expenditures [Note 2(c)]	335,498	335,498
Deficit, Statement B	(266,762)	(276,522)
Total Province of Manitoba's Equity	3,173,737	2,641,976
	$3,185,286	$2,758,368

The accompanying notes are an integral part of the financial statements.

Statement B

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

STATEMENT OF OPERATIONS AND DEFICIT
For the nine months ended December 31, 1983
(with comparative figures for the year ended March 31, 1983)

	Dec. 31, 1983	March 31, 1983
Revenue:		
Sales of concentrates [Note2(b)]	$4,113,769	$3,210,199
Expenses:		
Mining	3,182,154	2,799,476
Milling	702,766	514,205
Monitoring	28,517	26,357
	3,913,437	3,340,038
Operating income (loss) before the following:	200,332	(129,839)
Other expenses:		
Amortization of exploration and development expenditures	161,044	102,801
Interest on advances from the Province of Manitoba, net	—	114,312
Administration	42,197	43,882
	203,241	260,995
Less: interest earned	12,669	—
	190,572	260,995
Net income (loss) before subsidy for interest on the advance	9,760	(390,834)
Less: Subsidy from the Department of Energy and Mines for interest on the advance from the Province of Manitoba	—	114,312
Net income (loss) for the period	9,760	(276,522)
Deficit, beginning of period	(276,522)	—
Deficit, end of period, Statement A	$ (266,762)	$ (276,522)

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the nine months ended December 31, 1983
(with comparative figures for the year ended March 31, 1983)

	Dec. 31, 1983	March 31, 1983
Source of funds:		
Advances from the Province of Manitoba (Note 3)	$ 217,000	$2,583,000
Advances from Manitoba Mineral Resources Ltd.	3,105,001	—
Exploration expenditures previously funded by the Province of Manitoba	—	335,498
	3,322,001	2,918,498
Net income (loss) for the period, Statement B	9,760	(276,522)
Add: non-cash charge, amortization	161,044	102,801
	170,804	(173,721)
	3,492,805	2,744,777
Application of funds:		
Discharge of Province of Manitoba advances	2,800,000	—
Mine development expenditures	3,084	764,482
Capitalized exploration expenditures	—	335,498
	2,803,084	1,099,980
Increase in working capital	689,721	1,644,797
Working capital, beginning of period	1,644,797	—
Working capital, end of period	$2,334,518	$1,644,797

The accompanying notes are an integral part of the financial statements.

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 1983

1. *Trout Lake Mine*

The Company acquired, without charge, the interest in the Trout Lake mine from the Province effective December 31, 1983. Up to that time, the Company had been the agent for the Province in the management of these interests.

The Trout Lake mine is an unincorporated joint venture which is limited to the development and operation of the mine. The joint venture partners take the ore produced in proportion to their interests and are individually responsible for processing of the ore and sale of the concentrates.

The Company is participating in the joint venture with Hudson Bay Mining and Smelting Co., Limited and the Scandinavian Minerals Syndicate which is made up of Granges Exploration Aktiebolag, International Minerals Exploration Granges AB and Co. and Outokumpu Oy. Ownership interests are: Company - 27%, H.B.M.S. Co., Limited - 44%, Scandinavian Minerals Syndicate - 29%.

These financial statements reflect the Company's expenditures for its 27% interest in the joint venture operations and the additional activities outside of the joint venture, including arrangements for the processing of the ore, sale of concentrates, monitoring and administration.

2. *Significant accounting policies*

(a) Accounting basis

The accrual basis of accounting is used in the preparation of these financial statements.

(b) Settlements receivable on sales of concentrates

The Company entered into a contract with Hudson Bay Mining and Smelting Co., Limited for the sale of its concentrates. Under the terms of the contract, the concentrates are deemed to be sold at the time of delivery of ore to the mill. The settlements receivable on sales of ore concentrates are recorded at the estimated net realizable value.

(c) Fixed assets and related amortization

Exploration costs are charged to expense as incurred. They are capitalized when a mine is brought into production. The development costs associated with bringing a property into an operating mine status are capitalized.

The capitalized costs in respect to an operating mine are amortized by the unit-of-production method based on estimated recoverable reserves.

MANITOBA MINERAL RESOURCES LTD.

TROUT LAKE MINE
(Province of Manitoba's Interest)

NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 1983

3. Advances

Formerly, operations of this mine have been funded by way of advances from the Province. During the year, the outstanding Province of Manitoba advances were converted for an equivalent value of share capital of Manitoba Mineral Resources Ltd.

4. Accounts receivable

	Dec. 31, 1983	March 31, 1983
Settlements receivable on sales of Trout Lake mine concentrates [Note 2(b)]	$1,465,034	$ 862,218
Other	43,606	—
	$1,508,640	$ 862,218

5. Contingency

For the year ended March 31, 1983 a note to the financial statements described that the final settlement for the sales of concentrates was subject to negotiation of a final schedule by the joint venture partners and that the amount of such an adjustment, if any, could not be estimated.

A final settlement has since been negotiated for the year ended March 31, 1983 as well as the nine months ended December 31, 1983. The amount of the adjustment applicable to the fiscal year ended March 31, 1983 is not material and has been reflected in the operations for the period ended December 31, 1983.

6. Comparative figures

In keeping with the change in year end of Manitoba Mineral Resources Ltd., to December 31st, the figures shown for Trout Lake mine are for a nine month period as compared with the twelve month period for March 31, 1983, the first year of the mine's operations.